



Department of Justice

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NATURAL GAS PIPELINE COMPANY AND EXECUTIVES INDICTED FOR ROLE IN BID-RIGGING CONSPIRACY

WASHINGTON - A federal grand jury in Denver today indicted a Eunice, N.M.-based construction company and two of its executives for participating in a bid-rigging conspiracy involving natural gas pipeline construction projects in Colorado, the Department of Justice announced.

The indictment, filed in the U.S. District Court in Denver, charges that B&H Maintenance & Construction Inc. (B&H) and two of its executives, Jon Paul Smith, vice president and regional manager; and Landon R. Martin, manager of marketing and business development, conspired with each other and another corporation and individual to submit non-competitive and rigged bids to BP America Production Company. According to the indictment, between approximately June 2005 and December 2005, the defendants rigged bids for the construction of pipelines to transport natural gas from wells in the Upper San Juan Basin in Colorado. In addition, the indictment charges Smith with witness tampering by attempting to persuade another individual involved in the scheme to lie to federal investigators and to the grand jury investigating possible federal criminal violations of the antitrust laws.

“The Antitrust Division is committed to prosecuting bid-rigging schemes that defraud consumers and rob them of the benefits of competition, including in industries crucial to the daily life of Americans, such as the energy sector,” said Thomas O. Barnett, Assistant Attorney General in charge of the Department’s Antitrust Division. “Those who make deliberate attempts to hide the truth from federal investigators will also be aggressively pursued.”

As part of the conspiracy, the indictment charges that the defendants and their co-conspirators carried out the conspiracy by:

- Discussing among themselves the prospective submission of bids for pipeline construction projects;
- Allocating pipeline construction projects among themselves;
- Designating which company would submit the low bid and which company would submit a higher, complementary bid;

- Submitting agreed upon non-competitive, rigged bids to BP America Production Company;
- Accepting payment for work done on pipeline construction projects awarded as a result of non-competitive and rigged bids submitted in furtherance of the conspiracy; and
- Concealing and attempting to conceal the conspiracy.

Natural gas is transported across the United States through an interconnected web of underground pipelines. This underground infrastructure carries the gas from producing regions to local utilities. The San Juan Basin in Colorado and New Mexico is one of the largest natural gas producing regions in the country.

Today's case is the second to arise from an ongoing investigation of natural gas pipeline contractors in the San Juan Basin area. On July 11, 2006, Flint Energy Services Inc. (Flint) and Kenneth L. Rains, a Flint executive, both agreed to plead guilty to conspiring to constrain trade by rigging bids submitted to BP America Production Company. On October 30, 2006, Flint was sentenced to pay a criminal fine of \$150,000. Rains has not yet been sentenced.

The investigation is being conducted by the Antitrust Division's Chicago Field Office with the assistance of the Federal Bureau of Investigation offices in Farmington, N.M., Colorado Springs, Colo. and Durango, Colo.

Bid rigging, a violation of 15 U.S.C. § 1, carries a maximum fine of \$100 million for a corporation. The maximum penalty for an individual is 10 years in prison, a \$1 million fine, or both. The maximum fine level may be increased to twice the gain derived from the crime or twice the loss suffered by the victim of the crime, if either of those amounts are greater than the statutory maximum fine. Witness tampering, a violation of 18 U.S.C. § 1512, has a maximum penalty for an individual of 10 years in prison, a \$250,000 fine, or both.

Anyone with information concerning bid rigging or other anti-competitive conduct in the pipeline construction industry should contact the Chicago Field Office of the Antitrust Division at 312-353-7530. All press inquiries should be directed to the Department of Justice's Office of Public Affairs at 202-514-2007.

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